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**[Cover]**

Document to be filed:	Extraordinary Report
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	March 10, 2025
Company name (Japanese):	日本たばこ産業株式会社 ( <i>Nihon Tabako Sangyo Kabushiki-Kaisha</i> )
Company name (English):	JAPAN TOBACCO INC.
Title and name of representative:	Masamichi Terabatake, President, Chief Executive Officer and Representative Director
Location of head office:	1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-6636-2914 (Main)
Contact person:	Furukawa Hiromasa, Senior Vice President, Chief Financial Officer and Corporate Communications
Place of contact:	1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-6636-2914 (Main)
Contact person:	Furukawa Hiromasa, Senior Vice President, Chief Financial Officer and Corporate Communications
Place where the document is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

## 1. Reason for filing

On March 6, the Ontario Superior Court of Justice provided its decision to approve a comprehensive settlement plan covering all pending tobacco-related claims, including all smoking and health lawsuits in Canada brought against our local subsidiary, JTI-Macdonald Corp. (JTI-MC) and its competitors and co-defendants and settlement was reached. Therefore, this document is filed pursuant to the provisions of Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item 12, 14 and 19 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs.

## 2. Content of report

(1) Name, address and name of representative of the relevant consolidated subsidiary

- ① Name: JTI-Macdonald Corp.
- ② Address: 1 Robert Speck Parkway, Suite 1601, Mississauga, Ontario, Canada
- ③ Name of representative: Paul Hennessy (President and CEO)

(2) Date of filing of the litigations

- ① Class actions (8 cases)
  - A) Quebec, Canada (Cecilia Letourneau): September 30, 1998
  - B) Quebec, Canada (Conseil Quebécois sur le tabac et la sante): November 20, 1998
  - C) Saskatchewan, Canada (Adams): June 12, 2009
  - D) Manitoba, Canada (Kunta): June 12, 2009
  - E) Nova Scotia, Canada (Semple): June 18, 2009
  - F) British Columbia, Canada (Bourassa): June 25, 2010
  - G) British Columbia, Canada (McDermid): June 25, 2010
  - H) Ontario, Canada (Jacklin): June 27, 2012
- ② Health-Care Cost Recovery Litigation (10 cases)
  - A) British Columbia, Canada: January 24, 2001
  - B) New Brunswick, Canada: March 13, 2008
  - C) Ontario, Canada: September 29, 2009
  - D) Newfoundland and Labrador, Canada: February 8, 2011
  - E) Manitoba, Canada: May 31, 2012
  - F) Quebec, Canada: June 8, 2012
  - G) Alberta, Canada: June 8, 2012
  - H) Saskatchewan, Canada: June 8, 2012
  - I) Prince Edward Island, Canada: September 10, 2012
  - J) Nova Scotia, Canada: January 2, 2015

(3) Name, address and name of representative

- ① Class action (8 cases)
  - A) Class Action in Quebec, Canada (Cecilia Letourneau)
    - I. Litigants: Cecilia Letourneau and about 1 million others
    - II. Address: Quebec, Canada, etc.
  - B) Class action in Quebec, Canada (Conseil Quebécois sur le tabac et la sante):
    - I. Litigants: Jean-Yves Blais and about 110,000 others
    - II. Address: Quebec, Canada, etc.
  - C) Saskatchewan, Canada Class Action (Adams)
    - I. Litigant: Thelma Adams and several other individuals\*
    - II. Address: Saskatchewan, Canada, etc.
  - D) Manitoba, Canada Class Action (Kunta)
    - I. Litigants: Deborah Kunta and several other individuals\*
    - II. Address: Manitoba, Canada, etc.
  - E) Nova Scotia, Canada Class Action (Semple)
    - I. Litigants: Ben Semple and several other individuals\*
    - II. Address: Saskatchewan, Canada, etc.
  - F) Class Action in British Columbia, Canada (Bourassa)
    - I. Litigant: Barbara Bourassa and several other individuals\*
    - II. Address: British Columbia, Canada, etc.
  - G) Class Action in British Columbia, Canada (McDermid)
    - I. Litigants: Roderick Dennis McDermid and several other individuals\*
    - II. Address: British Columbia, Canada, etc.
  - H) Class Action in Ontario, Canada (Jacklin)
    - I. Litigants: Suzanne Jacklin and several other individuals\*
    - II. Address: Ontario, Canada, etc.

\*Detailed number of people is unknown because of the status of pre-hearing procedures.

② Health-Care Cost Recovery Litigation (10 cases)

- A) British Columbia, Canada:
  - I. Name : Government of British Columbia, Canada
  - II. Address : British Columbia, Canada
  - III. Representative : His Majesty the King in Right of British Columbia
- B) New Brunswick, Canada:
  - I. Name : Government of New Brunswick, Canada
  - II. Address : New Brunswick, Canada
  - III. Representative : His Majesty the King in Right of the Province of New Brunswick
- C) Ontario, Canada:
  - I. Name : Government of Ontario, Canada
  - II. Address : Ontario, Canada
  - III. Representative : His Majesty the King in Right of Ontario
- D) Newfoundland and Labrador, Canada
  - I. Name : Government of Newfoundland and Labrador, Canada
  - II. Address : Newfoundland and Labrador, Canada
  - III. Representative : Attorney General of Newfoundland & Labrador
- E) Manitoba, Canada
  - I. Name : Government of Manitoba, Canada
  - II. Address : Manitoba, Canada
  - III. Representative : His Majesty the King in Right of the Province of Manitoba
- F) Quebec, Canada
  - I. Name : Government of Quebec, Canada
  - II. Address : Quebec, Canada
  - III. Representative : Attorney General of Quebec
- G) Alberta, Canada
  - I. Name : Government of Alberta, Canada
  - II. Address : Alberta, Canada
  - III. Representative : His Majesty in Right of Alberta
- H) Saskatchewan, Canada
  - I. Name : Government of Saskatchewan, Canada
  - II. Address : Saskatchewan, Canada
  - III. Representative : The Government of Saskatchewan
- I) Prince Edward Island, Canada
  - I. Name : Government of Prince Edward Island, Canada
  - II. Address : Prince Edward Island, Canada
  - III. Representative : His Majesty the King in Right of The Province of Prince Edward Island
- J) Nova Scotia, Canada
  - I. Name : Government of Nova Scotia, Canada
  - II. Address : Nova Scotia, Canada
  - III. Representative : His Majesty the King in Right of the Province of Nova Scotia

(4) Details of the s and amount of the claim

JTI-MC, a Canadian subsidiary of the Company group, was a defendant in eight litigations smoking and health-related class actions and ten litigations seeking the return of medical expenses in Canada. On March 1, 2019, the Quebec Court of Appeal dismissed an appeal of two class action lawsuits related to smoking and health originally filed in 1998 against three Canadian tobacco companies, including JTI-MC, which were based on the tobacco companies' activities between 1950 and 1998. On March 8, 2019, JTI-MC sought protection under the Companies' Creditors Arrangement Act (CCAA), which was granted. As a result, all legal proceedings and enforcement of judgments in Canada to which JTI-MC was a party were stayed, and JTI-MC was able to preserve its assets and continue its business. ITC and RBH also sought and received protection under the CCAA in March 2019.

Subsequently, JTI-MC had been participating with ITC and RBH in a court-ordered mediation process with representatives of multiple claimants, including the Quebec class action plaintiffs and all provincial and territorial governments (the "Claimants"), under a court order of confidentiality, in an attempt to reach a final resolution of all pending litigation.

In October 2024, the Court-appointed Mediator and the CCAA Monitors publicly proposed plans under which the three companies would pay a total of 32.5 billion Canadian dollars in aggregate (approximately 3.56 trillion yen) to settle the litigation.

Following a Court hearing in January 2025 to consider approving the proposed settlement plans, JTI-MC reached an agreement with the other co-defendants on the terms of allocation of payments between them, which had been an important outstanding issue. The resulting proposed amendments were filed with the Ontario Superior Court on February 27, 2025.

As a result, the JT Group has recognized a provision for litigation losses\*<sup>1</sup> of 375.6 billion yen\*<sup>2</sup> in the fiscal year ending December 31, 2024 as a subsequent event adjustment to the financial results published on February 13, 2025.

(5) Details of the litigations and the amount of the claim

① Date of settlement of the litigations:

March 6, 2025 (local Canadian time)

② Details of the settlement and the amount to be paid

Under the approved plans the three companies will pay a total of 32.5 billion Canadian dollars in aggregate (approximately 3.56 trillion yen) over the course of the settlement period to the Claimants to settle all pending claims. Settlement payments by JTI-MC would be comprised of its cash on hand on closing of the Plan, complemented by annual payments representing a percentage of JTI-MC's annual net after-tax income ranging from 85%-70% (85% for years 1 to 5, 80% for years 6 to 10, 75% for years 11 to 15, and 70% from year 16 onwards) until the total amount reaches 32.5 billion Canadian dollars in aggregate across the three companies. Consequently, a discounted provision of 375.6 billion yen has been retrospectively recorded as an operating expense in the fiscal year ended December 31, 2024, as an estimate of the net present value of JTI-MC's total contribution to the settlement over the entire period.

The duration of the settlement will depend on future income generation of the three companies. Based on JT Group's internal estimates, it is expected this will take between 20 and 30 years.

This settlement will bring an end to all smoking and health lawsuits pending against JTI-MC[, which all relate to its historic conduct from as long ago as 1950]. In addition, any potential claims against JTI-MC and its executives for damages related to manufactured tobacco products based on past or current activity will be barred.

(6) Impact of the event on profits and losses and consolidated profits and losses

In the fiscal year ending December 2024, the JT Group will retroactively record a provision for litigation losses of 375.6 billion yen (approximately 3.4 billion Canadian dollars) in operating expenses as an adjusting subsequent event after the reporting period.

※1 : Please note that terms "loss on litigation in Canada" and "provision for loss on litigation in Canada" are used to explain the said provision in other materials such as the "(Revision) Partial revisions of "Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 <under IFRS>" announced on March 10, 2025 and the securities report scheduled to be announced on March 26, 2025.

※2 : The discounted provision is an estimation of the net present value of JTI-MC's total contribution to the settlement over the entire period, using a discount rate of 6.09%.